

CITY OF CLARION, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

- Prepared By -

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CITY OF CLARION, IOWA

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CITY OF CLARION, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mike Nail	Mayor	January 2018
Duane Asbe	Mayor Pro tem	January 2018
Steve Evans	Council Member	January 2016
Lindsey German	Council Member	January 2016
Barbara Mussman	Council Member	January 2018
Dave Maxheimer	Council Member	January 2018
Rochelle Pohlman	City Administrator/Clerk	June 2015
Susan Hammen	Treasurer	Infinite
Rich Bordwell	Attorney	January 2016



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the financial statements referred to above do not include the financial transactions of the Iowa Specialty Hospital - Clarion, a component unit of the City of Clarion, pertaining to the Enterprise Funds, which should be included in order to conform with U.S. generally accepted accounting principles. The financial transactions that should have been recorded are on a different basis of accounting.

Qualified Opinions

In my opinion, except for the effects on the financial statements due to the exclusion of the financial transactions of the Iowa Specialty Hospital - Clarion from the reporting entity, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Clarion adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarion's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 9 and 31 through 35, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 15, 2015 on my consideration of the City of Clarion's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The City of Clarion's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Larry Pump".

Charles City, Iowa
December 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Clarion provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 44.6%, or approximately \$2,644,000 from fiscal year 2014 to fiscal year 2015. Other general receipts and property tax increased approximately \$101,000 and \$27,000, respectively, while bond and note proceeds and capital grants, contributions and restricted interest decreased approximately \$2,648,000 and \$165,000, respectively.

Disbursements of the City's governmental activities increased 12.6%, or approximately \$507,000, in fiscal year 2015 from fiscal year 2014. Community and economic development and debt service disbursements increased approximately \$1,007,000 and \$95,000, respectively, while capital projects disbursements decreased approximately \$566,000.

The City's total cash basis net position decreased 26.6%, or approximately \$1,210,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased approximately \$1,258,000 and the cash basis net position of the business type activities increased by approximately \$48,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds, including water, sewer and landfill accounts.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$3,329,000 to approximately \$2,071,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

(Expressed in Thousands)

	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 411	\$ 396
Operating grants, contributions and restricted interest	336	332
Capital grants, contributions and restricted interest	203	368
General receipts:		
Property tax	1,874	1,847
Local option sales tax	254	248
Unrestricted interest on investments	21	5
Bond and note proceeds, net	-	2,648
Other general receipts	189	88
Total receipts	<u>\$ 3,288</u>	<u>\$ 5,932</u>
Disbursements:		
Public safety	\$ 813	\$ 801
Public works	445	472
Health and social services	6	6
Culture and recreation	291	331
Community and economic development	1,669	662
General government	228	202
Debt service	858	763
Capital projects	236	802
Total disbursements	<u>\$ 4,546</u>	<u>\$ 4,039</u>
Change in cash basis net position	\$ (1,258)	\$ 1,893
Cash basis net position beginning of year	<u>3,329</u>	<u>1,436</u>
Cash basis net position end of year	<u>\$ 2,071</u>	<u>\$ 3,329</u>

The City's total receipts for governmental activities decreased 44.6%, or approximately \$2,644,000. The total cost of all programs and services increased approximately \$507,000, or 12.6%. The decrease in receipts was primarily the result of prior year proceeds received from the issuance of general obligation bonds and notes and prior year capital grants for the airport project. The increase in disbursements was due primarily to tax increment financing expenses for the White Fox Landing Project.

The cost of all governmental activities this year was approximately \$4,546,000 compared to approximately \$4,039,000 last year. However, as shown in the Statement of Activities and Net Position on pages 10-13, the amount taxpayers ultimately financed for these activities was approximately \$3,596,000 because some of the cost was paid by those directly benefited from the programs (approximately \$411,000) or by other governments and organizations which subsidized certain programs with grants, contributions, and restricted interest (approximately \$539,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2015 from approximately \$1,096,000 to approximately \$950,000.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 733	\$ 646
Sewer	640	541
Storm sewer	64	65
Other	86	93
General receipts:		
Bond and note proceeds, net	66	53
Other general receipts	16	11
Total receipts	<u>\$ 1,605</u>	<u>\$ 1,409</u>
Disbursements:		
Water	\$ 518	\$ 442
Sewer	407	391
Other	632	299
Total disbursements	<u>\$ 1,557</u>	<u>\$ 1,132</u>
Change in cash basis net position	\$ 48	\$ 277
Cash basis net position beginning of year	1,213	936
Cash basis net position end of year	<u>\$ 1,261</u>	<u>\$ 1,213</u>

Total business type activities receipts for the fiscal year were approximately \$1,605,000 compared to approximately \$1,409,000 last year. This increase was due primarily to an increase in water and sewer charges for service. The cash balance increased by approximately \$48,000 from the prior year. Total disbursements for the fiscal year increased by 37.5% to a total of approximately \$1,557,000 mainly to debt service payments and waste water capital projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Clarion completed the year, its governmental funds reported a combined fund balance of \$2,070,834, a decrease of more than \$1,258,000 below last year's total of \$3,329,357. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$182,507 from the prior year to \$221,675. Most of this increase was due to net transfers in of approximately \$200,000.

The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$30,594 to \$423,324 during the fiscal year. This decrease was attributable to transfers out of more than \$174,000 during the year.

The Special Revenue, Tax Increment Financing Fund cash balance was \$788,164, a decrease of \$1,540,936 from the previous year. The decrease was the result of projects completed during the year.

The Debt Service Fund cash balance increased \$61,087 to \$177,369, due to transfers in during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance decreased \$42,985 to \$377,515, due primarily to a transfer out during the year.

The Enterprise, Sewer Fund cash balance increased \$185,051 to \$562,713, due primarily to an increase in charges for service from the prior year.

The Enterprise, Sewer Improvement Fund cash balance increased \$54,000 to \$207,580, due to a transfer in during the year.

The Enterprise, Storm Sewer Fund cash balance increased \$64,436 from the prior year to \$228,234. This increase was the result of charges for service receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2015 and resulted in an increase in operating disbursements in numerous City departments. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the health and social services and debt service functions for the year ended June 30, 2015.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$5,708,000 of bonds and notes and other long-term debt outstanding, compared to approximately \$6,561,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2015	2014
General obligation bonds and notes	\$ 4,595	\$ 5,088
Special assessment notes	-	15
Revenue bonds and notes	969	1,355
REDLA loan	25	50
Anticipatory notes	119	53
Total	<u>\$ 5,708</u>	<u>\$ 6,561</u>

Debt decreased as a result of scheduled debt payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,183,168 is below its constitutional debt limit of \$6,015,437.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clarion's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

Clarion continues to partner as team members with the Partnership for Growth Organization, Iowa Specialty Hospital - Clarion and other local businesses for the betterment of providing economic development opportunities.

At this time, the City and I2i Clarion, Inc. are completing a new housing development on the east edge of town called White Fox Landing. The development includes three phases and there are 23 available lots for building single family homes. Construction is under way or completed on four homes. The City expects to close this project out in the first part of fiscal year 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dustin Rief, City Administrator, 121 1st SW, Clarion, Iowa 50525.

Basic Financial Statements

CITY OF CLARION, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

		Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
FUNCTIONS/PROGRAMS:		Disbursements		
Governmental activities:				
Public safety	\$ 813,259	\$ 92,673	\$ -	\$ -
Public works	444,418	129,750	296,350	-
Health and social services	5,500	-	-	-
Culture and recreation	290,904	66,882	26,165	-
Community and economic development	1,669,281	-	12,998	-
General government	228,475	105,913	-	-
Debt service	858,420	15,891	-	-
Capital projects	<u>235,985</u>	<u>-</u>	<u>-</u>	<u>203,283</u>
Total governmental activities	<u>\$4,546,242</u>	<u>\$ 411,109</u>	<u>\$ 335,513</u>	<u>\$ 203,283</u>
Business type activities:				
Water	\$ 518,354	\$ 733,426	\$ -	\$ -
Sewer	407,239	639,772	-	-
Storm sewer	-	64,436	-	-
Other	<u>632,041</u>	<u>86,303</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,557,634</u>	<u>\$1,523,937</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$6,103,876</u>	<u>\$1,935,046</u>	<u>\$ 335,513</u>	<u>\$ 203,283</u>

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (720,586)	\$ -	\$ (720,586)
(18,318)	-	(18,318)
(5,500)	-	(5,500)
(197,857)	-	(197,857)
(1,656,283)	-	(1,656,283)
(122,562)	-	(122,562)
(842,529)	-	(842,529)
<u>(32,702)</u>	<u>-</u>	<u>(32,702)</u>
 \$ (3,596,337)	 \$ -	 \$ (3,596,337)
 \$ -	 \$ 215,072	 \$ 215,072
-	232,533	232,533
-	64,436	64,436
<u>-</u>	<u>(545,738)</u>	<u>(545,738)</u>
 \$ -	 \$ (33,697)	 \$ (33,697)
<u>\$ (3,596,337)</u>	<u>\$ (33,697)</u>	<u>\$ (3,630,034)</u>

CITY OF CLARION, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

General Receipts:

- Property and other city tax levied for:
 - General purposes
 - Debt service
- Tax increment financing
- Local option sales tax
- Unrestricted interest on investments
- Bond and note proceeds, net
- Miscellaneous

Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Nonexpendable:

- Cemetery perpetual care

Expendable:

- Streets

- Urban renewal purposes

- Debt service

- Other purposes

Unrestricted

Total cash basis net position

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ 912,459	\$ -	\$ 912,459
428,185	-	428,185
533,360	-	533,360
253,802	-	253,802
20,694	463	21,157
-	65,929	65,929
189,314	15,437	204,751
<u>\$ 2,337,814</u>	<u>\$ 81,829</u>	<u>\$ 2,419,643</u>
\$ (1,258,523)	\$ 48,132	\$ (1,210,391)
<u>3,329,357</u>	<u>1,213,338</u>	<u>4,542,695</u>
<u>\$ 2,070,834</u>	<u>\$1,261,470</u>	<u>\$ 3,332,304</u>
\$ 69,956	\$ -	\$ 69,956
140,095	-	140,095
788,164	-	788,164
177,369	50,000	227,369
644,819	-	644,819
250,431	1,211,470	1,461,901
<u>\$ 2,070,834</u>	<u>\$1,261,470</u>	<u>\$ 3,332,304</u>

CITY OF CLARION, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

		<u>Special Revenue</u>	
		<u>Local</u>	<u>Tax</u>
		<u>Option</u>	<u>Increment</u>
	<u>General</u>	<u>Sales Tax</u>	<u>Financing</u>
RECEIPTS:			
Property tax	\$ 608,158	\$ -	\$ -
Tax increment financing	-	-	533,360
Other city tax	-	253,802	-
Licenses and permits	17,678	-	-
Use of money and property	93,242	-	-
Intergovernmental	26,165	-	-
Charges for service	296,765	-	-
Special assessments	-	-	-
Miscellaneous	88,604	-	65,541
Total receipts	<u>\$1,130,612</u>	<u>\$ 253,802</u>	<u>\$ 598,901</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 573,899	\$ 58,921	\$ -
Public works	141,118	47,375	-
Health and social services	-	-	-
Culture and recreation	236,518	-	-
Community and economic development	-	-	1,620,565
General government	196,410	3,352	-
Debt service	-	-	307,917
Capital projects	-	-	-
Total disbursements	<u>\$1,147,945</u>	<u>\$ 109,648</u>	<u>\$ 1,928,482</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (17,333)</u>	<u>\$ 144,154</u>	<u>\$ (1,329,581)</u>
Other financing sources (uses):			
Transfers in	\$ 239,553	\$ -	\$ -
Transfers out	(39,713)	(174,748)	(211,355)
Total other financing sources (uses)	<u>\$ 199,840</u>	<u>\$ (174,748)</u>	<u>\$ (211,355)</u>
Change in cash balances	\$ 182,507	\$ (30,594)	\$ (1,540,936)
Cash balances beginning of year	<u>39,168</u>	<u>453,918</u>	<u>2,329,100</u>
Cash balances end of year	<u>\$ 221,675</u>	<u>\$ 423,324</u>	<u>\$ 788,164</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Streets	-	-	-
Urban renewal purposes	-	-	788,164
Debt service	-	-	-
Other purposes	-	423,324	-
Assigned for:			
Community Center	-	-	-
Storm Sewer Projects	-	-	-
Police/Ambulance Building	34,515	-	-
Fire Station	-	-	-
Library	81,122	-	-
Aquatic	17,846	-	-
Other	-	-	-
Unassigned	<u>88,192</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 221,675</u>	<u>\$ 423,324</u>	<u>\$ 788,164</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 428,185	\$ 284,422	\$ 1,320,765
-	-	533,360
-	19,879	273,681
-	-	17,678
-	-	93,242
-	512,631	538,796
-	-	296,765
15,891	-	15,891
-	43,396	197,541
<u>\$ 444,076</u>	<u>\$ 860,328</u>	<u>\$ 3,287,719</u>

\$ -	\$ 180,439	\$ 813,259
-	255,925	444,418
-	5,500	5,500
-	54,386	290,904
-	48,716	1,669,281
-	28,713	228,475
550,503	-	858,420
5,111	230,874	235,985
<u>\$ 555,614</u>	<u>\$ 804,553</u>	<u>\$ 4,546,242</u>

<u>\$ (111,538)</u>	<u>\$ 55,775</u>	<u>\$ (1,258,523)</u>
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\$ 172,625	\$ 99,713	\$ 511,891
-	(86,075)	(511,891)
<u>\$ 172,625</u>	<u>\$ 13,638</u>	<u>\$ -</u>

\$ 61,087	\$ 69,413	\$ (1,258,523)
<u>116,282</u>	<u>390,889</u>	<u>3,329,357</u>

<u>\$ 177,369</u>	<u>\$ 460,302</u>	<u>\$ 2,070,834</u>
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\$ -	\$ 69,956	\$ 69,956
-	140,095	140,095
-	-	788,164
177,369	-	177,369
-	221,495	644,819
-	75,070	75,070
-	30,463	30,463
-	-	34,515
-	80,000	80,000
-	-	81,122
-	-	17,846
-	26	26
-	(156,803)	(68,611)
<u>\$ 177,369</u>	<u>\$ 460,302</u>	<u>\$ 2,070,834</u>

CITY OF CLARION, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise			
	<u>Water</u>	<u>Sewer</u>	<u>Sewer Improvement</u>	<u>Storm Sewer</u>
Operating receipts:				
Charges for service	\$ 733,426	\$ 639,772	\$ -	\$ 64,436
Miscellaneous	5,542	2,165	-	-
Total operating receipts	<u>\$ 738,968</u>	<u>\$ 641,937</u>	<u>\$ -</u>	<u>\$ 64,436</u>
Operating disbursements:				
Business type activities	<u>518,354</u>	<u>407,239</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 220,614</u>	<u>\$ 234,698</u>	<u>\$ -</u>	<u>\$ 64,436</u>
Non-operating receipts (disbursements):				
Interest on investments	\$ 463	\$ -	\$ -	\$ -
Miscellaneous	3,089	4,353	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Net non-operating receipts (disbursements)	<u>\$ 3,552</u>	<u>\$ 4,353</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 224,166</u>	<u>\$ 239,051</u>	<u>\$ -</u>	<u>\$ 64,436</u>
Other financing sources (uses):				
Anticipatory note proceeds	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	54,000	-
Transfers out	(267,151)	(54,000)	-	-
Total other financing sources (uses)	<u>\$ (267,151)</u>	<u>\$ (54,000)</u>	<u>\$ 54,000</u>	<u>\$ -</u>
Change in cash balances	\$ (42,985)	\$ 185,051	\$ 54,000	\$ 64,436
Cash balances beginning of year	<u>420,500</u>	<u>377,662</u>	<u>153,580</u>	<u>163,798</u>
Cash balances end of year	<u>\$ 377,515</u>	<u>\$ 562,713</u>	<u>\$ 207,580</u>	<u>\$ 228,234</u>
Cash Basis Fund Balances				
Restricted for debt service	\$ -	\$ -	\$ -	\$ -
Assigned for sewer improvement	-	-	207,580	-
Unrestricted	<u>377,515</u>	<u>562,713</u>	<u>-</u>	<u>228,234</u>
Total cash basis fund balances	<u>\$ 377,515</u>	<u>\$ 562,713</u>	<u>\$ 207,580</u>	<u>\$ 228,234</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 86,303	\$ 1,523,937
—	7,707
<u>\$ 86,303</u>	<u>\$ 1,531,644</u>
 90,252	 1,015,845
 <u>\$ (3,949)</u>	 <u>\$ 515,799</u>
 \$ —	 \$ 463
288	7,730
(271,316)	(271,316)
<u>(270,473)</u>	<u>(270,473)</u>
 <u>\$ (541,501)</u>	 <u>\$ (533,596)</u>
 <u>\$ (545,450)</u>	 <u>\$ (17,797)</u>
 \$ 65,929	 \$ 65,929
267,151	321,151
<u>—</u>	<u>(321,151)</u>
 <u>\$ 333,080</u>	 <u>\$ 65,929</u>
 \$ (212,370)	 \$ 48,132
 97,798	 1,213,338
 <u>\$ (114,572)</u>	 <u>\$ 1,261,470</u>
 \$ 50,000	 \$ 50,000
—	207,580
<u>(164,572)</u>	<u>1,003,890</u>
 <u>\$ (114,572)</u>	 <u>\$ 1,261,470</u>

See Notes to Financial Statements.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

The City of Clarion is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and landfill services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Clarion has included all funds, organizations, agencies, boards, commissions and authorities, except for the Iowa Specialty Hospital - Clarion. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Clarion (the Primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative office.

Component Unit - The Iowa Specialty Hospital - Clarion is not presented in these financial statements. It is legally separate from the City, but is financially accountable to the City. The Hospital is governed by a five-member board appointed by the City Council and the Hospital's operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Wright County Assessor's Conference Board and the Mid-Iowa Development Association Council of Governments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) **Summary of Significant Accounting Policies** - continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for local option sales tax revenues.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the repayment of interest and principal on the City's general long-term debt.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies - continued

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sewer Improvement Fund accounts for future sewer system repairs and maintenance.

The Enterprise Storm Sewer Fund accounts for the repairs and maintenance of the City's storm sewer.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies - continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the health and social services and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation, revenue and special assessment bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Other Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 275,429	\$ 172,364	\$ 118,000	\$ 21,880	\$ 25,000	\$ -	\$ 418,429	\$ 194,244
2017	402,912	162,793	225,000	18,587	-	-	627,912	181,380
2018	394,000	150,724	127,000	15,650	-	-	521,000	166,374
2019	271,000	137,748	130,000	12,475	-	-	401,000	150,223
2020	278,000	129,527	137,000	9,225	-	-	415,000	138,752
2021-2025	1,399,000	499,390	232,000	11,775	-	-	1,631,000	511,165
2026-2030	1,140,000	226,900	-	-	-	-	1,140,000	226,900
2031-2032	435,000	26,200	-	-	-	-	435,000	26,200
Total	<u>\$4,595,341</u>	<u>\$1,505,646</u>	<u>\$ 969,000</u>	<u>\$ 89,592</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$5,589,341</u>	<u>\$1,595,238</u>

The resolutions providing for the issuance of the general obligation bond and notes include the following provisions:

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(3) Bonds and Notes Payable - continued

- (a) At the option of the City, notes due on the Capital Loan Note issue of July 1, 2009, are subject to redemption and prepayment in inverse numerical order beginning June 1, 2018, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (b) At the option of the City, notes due on the Capital Loan Note issue of June 1, 2010, are subject to redemption and prepayment in any order of maturity beginning June 1, 2016, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (c) At the option of the City, notes due on the Capital Loan Note issue of August 28, 2008, are subject to redemption and prepayment in any order of maturity beginning June 1, 2014, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (d) At the option of the City, bonds due on the Storm Water Bonds issue of April 1, 2013, are subject to redemption and prepayment in inverse numerical order beginning April 1, 2019, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (e) At the option of the City, bonds due on the G.O. Annual Appropriation Bond issue of June 26, 2014, are subject to redemption and prepayment in any order of maturity beginning June 1, 2022, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (f) At the option of the City, bonds due on the G.O. Annual Appropriation Bonds issue of June 26, 2014, are subject to redemption and prepayment in inverse numerical order beginning June 1, 2022, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

Urban Renewal Revenue Annual Appropriation Refunding Bonds

The City issued \$1,213,000 of urban renewal revenue annual appropriation refunding bonds in March 2013 for the purpose of refunding the aquatic center and library urban renewal annual appropriation capital loan notes. The notes are payable solely from the net revenues of urban renewal project credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$953,366, payable through June 2023. For the current year, principal and interest paid were \$120,000 and \$20,537, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the net revenues of the urban renewal projects.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(3) **Bond and Notes Payable** - continued

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$500,000 in water revenue bonds issued in February 2013. Proceeds from the bonds provided financing for the refunding of water revenue notes issued in 1976 and 1999. The bonds are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 13 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$105,226. For the current year, principal and interest paid and total customer net receipts were \$269,775 and \$220,614, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and bond/note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- c) Additional monthly transfers shall be made to water revenue bond reserve accounts until the required balances are accumulated. The water revenue bond reserve account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system and when necessary for the purpose of making payments of principal and interest.

On January 31, 2014, the City was awarded a State Revolving Loan in the amount of \$250,000 to upgrade the wastewater treatment plant. As of June 30, 2015, \$119,038 was drawn down.

(4) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(4) Pension Plan - continued

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

A multiplier (based on years of service).

The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(4) Pension Plan - continued

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$91,839.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$233,145. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.126158 percent, which was a decrease of 0.026925 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$32,794, \$17,894 and \$(223,198) respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(4) Pension Plan - continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 711,921	\$ 233,145	\$ (170,715)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 20 active members and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with AdminiTrust, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(5) Other Postemployment Benefits (OPEB) - continued

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$424 for single coverage and \$1,996 for family coverage. For the year ended June 30, 2015, the City contributed \$255,467 and plan members eligible for benefits contributed \$17,844 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 57,745
Sick leave	1,865
Total	<u>\$ 59,610</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Leases

The City has entered into a lease purchase agreement with the Wright Medical Foundation. The Foundation is an organization that is exempt from federal income tax as an organization described in Section 501 (c) (3) of the Internal Revenue Code, and is audited by other auditors.

The Foundation originally issued \$3,050,000 in notes to contract the Meadows Facility which is a housing/hospital project. The notes do not constitute general obligations of the City or change the general credit or taxing powers of the City.

The City is leasing the facility from the Foundation. The City is not expecting to incur costs from this lease as the Foundation will remit funds to the City in amounts sufficient to cover the lease payments. However, during the year, the principal and interest payments of \$202,272 and \$37,480, respectively, were paid directly by the Foundation. The City's obligations under this lease purchase agreement are not general obligations of the City.

The future minimum lease payments under the capital lease are as follow:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 215,819	\$ 23,933	\$ 239,752
2017	230,273	9,479	239,752
2018	19,871	108	19,979
Total	<u>\$ 465,963</u>	<u>\$ 33,520</u>	<u>\$ 499,483</u>

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(8) Deficit Balances

The Capital Projects, CDBG Housing Project Fund had a deficit balance of \$61 at June 30, 2015. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon future receipts.

The Capital Projects, Airport Fund had a deficit balance of \$156,742 at June 30, 2015. This deficit will be eliminated upon future receipts.

At June 30, 2015, the Enterprise, Water Debt Service Fund had a deficit balance of \$2,954. The deficit balance was a result of debt service payments in excess of transfers in. The deficit will be eliminated upon additional transfers.

The Enterprise, CDBG Sanitary Sewer Fund had a deficit balance of \$24,540 at June 30, 2015. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon future receipts.

At June 30, 2015, the Enterprise, Waste Water Project Fund had a deficit balance of \$192,964. The deficit balance was a result of capital project costs in excess of bond proceeds received. The deficit will be eliminated upon future receipts.

(9) Wright County Area Landfill Authority

The City, in conjunction with city, town and unincorporated portion of Wright County, Iowa, has created the Wright County Area Landfill Authority. The Authority was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Authority will be prorated among the members. The governing body of the Authority consists of one representative from each member. Each member has one vote.

The Authority is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Clarion has an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2015, the City of Clarion paid the Authority \$71,250 for its share of the costs. Complete financial statements for the Authority can be obtained from the Wright County Area Landfill Authority.

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Operating Transfers

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 153,478
Special Revenue:	General	\$ 39,713
Emergency Levy		
Tax Increment Financing	Special Revenue:	
Debt	Tax Increment Financing	\$ 60,000

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(10) Interfund Transfers - continued

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	\$ 21,270
	Tax Increment Financing	151,355
		<u>\$ 172,625</u>
Enterprise:	Enterprise:	
Water Debt Service	Water	\$ 267,151
Sewer Improvement	Sewer	54,000
		<u>\$ 321,151</u>
Total operating transfers		<u>\$ 746,967</u>

Residual Transfers

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects:	
	Library	\$ 33,112
	Aquatic	17,846
	Police/Ambulance Building	35,031
	Critical Care	86
Total residual transfers		<u>\$ 86,075</u>
Total transfers		<u>\$ 833,042</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Commitments

At June 30, 2015, the following construction commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
White fox landing	\$1,686,195	\$1,356,651
CDBG sanitary sewer	293,579	-
Wastewater treatment	<u>6,370,000</u>	<u>-</u>
Total	<u>\$8,349,774</u>	<u>\$1,356,651</u>

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(13) **Related Party Transactions**

The City had business transactions between the City and City Officials totaling \$11,831 during the year ended June 30, 2015.

(14) **Industrial Development Revenue Bonds**

The City has issued a total of \$25,815,746 of industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$20,301,505 is outstanding at June 30, 2015. The bonds and related interest are payable solely from the revenues generated by the entities, and the bond principal and interest do not constitute liabilities of the City.

(15) **Subsequent Events**

On July 6, 2015, the City approved the issuance of a General Obligation Vehicle Acquisition Note in the amount of \$81,000.

The City authorized the issuance of \$6,200,000 of Sewer Revenue Bonds on August 17, 2015.

Other Information

CITY OF CLARION, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted
RECEIPTS:			
Property tax	\$ 1,320,765	\$ -	\$ -
Tax increment financing	533,360	-	-
Other city tax	273,681	-	-
Licenses and permits	17,678	-	-
Use of money and property	93,242	463	-
Intergovernmental	538,796	-	-
Charges for service	296,765	1,523,937	-
Special assessments	15,891	-	-
Miscellaneous	197,541	15,437	-
Total receipts	<u>\$ 3,287,719</u>	<u>\$1,539,837</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 813,259	\$ -	\$ -
Public works	444,418	-	-
Health and social services	5,500	-	-
Culture and recreation	290,904	-	-
Community and economic development	1,669,281	-	-
General government	228,475	-	-
Debt service	858,420	-	-
Capital projects	235,985	-	-
Business type activities	-	1,557,634	-
Total disbursements	<u>\$ 4,546,242</u>	<u>\$1,557,634</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (1,258,523)	\$ (17,797)	\$ -
Other financing sources, net	<u>-</u>	<u>65,929</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (1,258,523)	\$ 48,132	\$ -
Balances beginning of year	<u>3,329,357</u>	<u>1,213,338</u>	<u>-</u>
Balances end of year	<u>\$ 2,070,834</u>	<u>\$1,261,470</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 1,320,765	\$1,260,256	\$ 1,260,256	\$ 60,509
533,360	585,790	585,790	(52,430)
273,681	315,623	315,623	(41,942)
17,678	19,225	19,225	(1,547)
93,705	92,918	92,918	787
538,796	351,201	351,201	187,595
1,820,702	91,590,702	91,590,702	(89,770,000)
15,891	16,993	16,993	(1,102)
212,978	235,600	235,600	(22,622)
<u>\$ 4,827,556</u>	<u>\$94,468,308</u>	<u>\$ 94,468,308</u>	<u>\$ (89,640,752)</u>
\$ 813,259	\$ 843,333	\$ 910,867	\$ 97,608
444,418	475,882	489,382	44,964
5,500	-	-	(5,500)
290,904	310,542	313,605	22,701
1,669,281	497,432	2,452,640	783,359
228,475	225,455	244,803	16,328
858,420	437,187	527,187	(331,233)
235,985	-	269,760	33,775
1,557,634	91,216,390	91,879,769	90,322,135
<u>\$ 6,103,876</u>	<u>\$94,006,221</u>	<u>\$ 97,088,013</u>	<u>\$ 90,984,137</u>
\$ (1,276,320)	\$ 462,087	\$ (2,619,705)	\$ 1,343,385
65,929	-	3,081,792	(3,015,863)
\$ (1,210,391)	\$ 462,087	\$ 462,087	\$ (1,672,478)
4,542,695	2,932,868	2,932,868	1,609,827
<u>\$ 3,332,304</u>	<u>\$ 3,394,955</u>	<u>\$ 3,394,955</u>	<u>\$ (62,651)</u>

CITY OF CLARION, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,081,792. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the health and social services and debt service functions.

CITY OF CLARION, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR * (IN THOUSANDS)

OTHER INFORMATION

	<u>2015</u>
City's proportion of the net pension liability	0.126158%
City's proportionate share of the net pension liability	\$ 233
City's covered-employee payroll	\$ 972
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.97%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Accompanying Independent Auditor's Report.

CITY OF CLARION, IOWA
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR (IN THOUSANDS)

OTHER INFORMATION

	<u>2015</u>
Statutorily required contribution	\$ 92
Contributions in relation to the statutorily required contribution	<u>(92)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 972
Contributions as a percentage of covered-employee payroll	9.47%

See Accompanying Independent Auditor's Report.

CITY OF CLARION, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

Decreased the inflation assumption from 3.25 percent to 3.00 percent.

Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.

Adjusted male mortality rates for retirees in the Regular membership group.

Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.

Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted retiree mortality assumptions.

Modified retirement rates to reflect fewer retirements.

Lowered disability rates at most ages.

Lowered employment termination rates.

Generally increased the probability of terminating members receiving a deferred retirement benefit.

Modified salary increase assumptions based on various service duration.

CITY OF CLARION, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of assumptions: - continued

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

CITY OF CLARION, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue				
	Road Use Tax	Employee Benefits	Emergency Levy	Hotel- Motel	Tax Increment Financing Debt
RECEIPTS:					
Property tax	\$ -	\$266,857	\$17,565	\$ -	\$ -
Other city tax	-	-	-	19,879	-
Intergovernmental	296,350	-	-	-	-
Miscellaneous	95	35,867	-	-	-
Total receipts	<u>\$296,445</u>	<u>\$302,724</u>	<u>\$17,565</u>	<u>\$ 19,879</u>	<u>\$ -</u>
DISBURSEMENTS:					
Operating:					
Public safety	\$ -	\$180,439	\$ -	\$ -	\$ -
Public works	243,818	12,107	-	-	-
Health and social services	5,500	-	-	-	-
Culture and recreation	-	54,386	-	-	-
Community and economic development	-	-	-	20,694	20,099
General government	-	28,713	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>\$249,318</u>	<u>\$275,645</u>	<u>\$ -</u>	<u>\$ 20,694</u>	<u>\$ 20,099</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 47,127</u>	<u>\$ 27,079</u>	<u>\$17,565</u>	<u>\$ (815)</u>	<u>\$ (20,099)</u>
Other financing sources (uses):					
Transfers in	\$ -	\$ -	\$39,713	\$ -	\$ 60,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$39,713</u>	<u>\$ -</u>	<u>\$ 60,000</u>
Change in cash balances	\$ 47,127	\$ 27,079	\$57,278	\$ (815)	\$ 39,901
Cash balances beginning of year	<u>92,968</u>	<u>107,102</u>	<u>-</u>	<u>26,448</u>	<u>(35,498)</u>
Cash balances end of year	<u>\$140,095</u>	<u>\$134,181</u>	<u>\$57,278</u>	<u>\$ 25,633</u>	<u>\$ 4,403</u>
Cash Basis Fund Balances					
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	140,095	134,181	57,278	25,633	4,403
Assigned for capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total cash basis fund balances	<u>\$140,095</u>	<u>\$134,181</u>	<u>\$57,278</u>	<u>\$ 25,633</u>	<u>\$ 4,403</u>

(Continued)

Capital Projects

CDBG Housing Project	2014 Traffic Signal	Community Center	Library	Aquatic	Airport	Police/ Ambulance Building	Critical Care
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
12,998	95,535	-	-	-	107,748	-	-
-	26	-	-	-	-	-	-
<u>\$ 12,998</u>	<u>\$ 95,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,748</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,923	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	95,535	-	-	-	135,339	-	-
<u>\$ 7,923</u>	<u>\$ 95,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,339</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,075	\$ 26	\$ -	\$ -	\$ -	\$ (27,591)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	(33,112)	(17,846)	-	(35,031)	(86)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (33,112)</u>	<u>\$ (17,846)</u>	<u>\$ -</u>	<u>\$ (35,031)</u>	<u>\$ (86)</u>
\$ 5,075	\$ 26	\$ -	\$ (33,112)	\$ (17,846)	\$ (27,591)	\$ (35,031)	\$ (86)
(5,136)	-	75,070	33,112	17,846	(129,151)	35,031	86
<u>\$ (61)</u>	<u>\$ 26</u>	<u>\$ 75,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (156,742)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	26	75,070	-	-	-	-	-
-	(61)	-	-	-	(156,742)	-	-
<u>\$ (61)</u>	<u>\$ 26</u>	<u>\$ 75,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (156,742)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CLARION, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Capital Projects</u>		<u>Permanent</u>	
	<u>Storm Sewer</u>	<u>Fire Station</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
RECEIPTS:				
Property tax	\$ -	\$ -	\$ -	\$ 284,422
Other city tax	-	-	-	19,879
Intergovernmental	-	-	-	512,631
Miscellaneous	-	5,000	2,408	43,396
Total receipts	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 2,408</u>	<u>\$ 860,328</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ -	\$ -	\$ -	\$ 180,439
Public works	-	-	-	255,925
Health and social services	-	-	-	5,500
Culture and recreation	-	-	-	54,386
Community and economic development	-	-	-	48,716
General government	-	-	-	28,713
Capital projects	-	-	-	230,874
Total disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,553</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 2,408</u>	<u>\$ 55,775</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ -	\$ 99,713
Transfers out	-	-	-	(86,075)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,638</u>
Change in cash balances	\$ -	\$ 5,000	\$ 2,408	\$ 69,413
Cash balances beginning of year	<u>30,463</u>	<u>75,000</u>	<u>67,548</u>	<u>390,889</u>
Cash balances end of year	<u>\$ 30,463</u>	<u>\$ 80,000</u>	<u>\$ 69,956</u>	<u>\$ 460,302</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ 69,956	\$ 69,956
Restricted for other purposes	-	-	-	361,590
Assigned for capital projects	30,463	80,000	-	185,559
Unassigned	-	-	-	(156,803)
Total cash basis fund balances	<u>\$ 30,463</u>	<u>\$ 80,000</u>	<u>\$ 69,956</u>	<u>\$ 460,302</u>

See Accompanying Independent Auditor's Report.

CITY OF CLARION, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

		Enterprise	
	Water Debt Service	Water Bond Reserve	CDBG Sanitary Sewer
Operating receipts:			
Charges for service	\$ -	\$ -	\$ -
Operating disbursements:			
Business type activities	-	-	-
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ -	\$ -	\$ -
Non-operating receipts (disbursements):			
Miscellaneous	\$ -	\$ -	\$ -
Debt service	(271,316)	-	-
Capital projects	-	-	(24,540)
Net non-operating receipts (disbursements)	\$ (271,316)	\$ -	\$ (24,540)
Excess (deficiency) of receipts over (under) disbursements	\$ (271,316)	\$ -	\$ (24,540)
Other financing sources:			
Anticipatory note proceeds	\$ -	\$ -	\$ -
Transfers in	267,151	-	-
Total other financing sources	\$ 267,151	\$ -	\$ -
Change in cash balances	\$ (4,165)	\$ -	\$ (24,540)
Cash balances beginning of year	1,211	50,000	-
Cash balances end of year	<u>\$ (2,954)</u>	<u>\$ 50,000</u>	<u>\$ (24,540)</u>
Cash Basis Fund Balances			
Restricted for debt service	\$ -	\$ 50,000	\$ -
Unrestricted	(2,954)	-	(24,540)
Total cash basis fund balances	<u>\$ (2,954)</u>	<u>\$ 50,000</u>	<u>\$ (24,540)</u>

See Accompanying Independent Auditor's Report.

<u>Waste Water Project</u>	<u>Landfill</u>	<u>Total</u>
\$ -	\$ 86,303	\$ 86,303
<u>-</u>	<u>90,252</u>	<u>90,252</u>
\$ -	\$ (3,949)	\$ (3,949)
\$ -	\$ 288	\$ 288
-	-	(271,316)
<u>(245,933)</u>	<u>-</u>	<u>(270,473)</u>
\$ (245,933)	\$ 288	\$ (541,501)
<u>\$ (245,933)</u>	<u>\$ (3,661)</u>	<u>\$ (545,450)</u>
\$ 65,929	\$ -	\$ 65,929
-	-	267,151
<u>\$ 65,929</u>	<u>\$ -</u>	<u>\$ 333,080</u>
\$ (180,004)	\$ (3,661)	\$ (212,370)
<u>(12,960)</u>	<u>59,547</u>	<u>97,798</u>
<u>\$ (192,964)</u>	<u>\$ 55,886</u>	<u>\$ (114,572)</u>
\$ -	\$ -	\$ 50,000
<u>(192,964)</u>	<u>55,886</u>	<u>(164,572)</u>
<u>\$ (192,964)</u>	<u>\$ 55,886</u>	<u>\$ (114,572)</u>

CITY OF CLARION, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
Capital Loan Notes	08-01-09	1.30 - 3.00%	\$1,295,000
Capital Loan Notes	07-01-09	3.00 - 6.00	925,000
Capital Loan Notes	06-01-10	2.90 - 4.00	301,000
Capital Loan Notes	08-28-08	2.85 - 4.30	1,335,000
Capital Loan Notes	07-17-12	2.45	100,000
Storm Water Bonds	04-01-13	1.50 - 2.50	716,000
GO Annual Appropriation Bond	06-26-14	1.75 - 4.00	1,185,000
GO Annual Appropriation Bond	06-26-14	1.75 - 4.00	1,485,000
Special Assessment Notes:			
Street Improvement	10-01-04	2.80 - 4.85%	\$ 130,000
Urban Renewal Revenue Annual Appropriation Bonds and Notes:			
Refunding Bonds	03-14-13	1.35 - 2.50%	\$1,213,000
Revenue Bonds and Notes:			
Water Refunding	02-06-13	1.25%	\$ 500,000
Rural Economic Development Loan Agreement			
	11-21-05	0.00%	\$ 250,000
Anticipatory Notes:			
Sewer Construction	01-31-14	0.00%	\$ 119,038
Subtotal - City's share			
Capital Lease:			
Meadows Facility	12-01-92	5.50 - 8.00%	\$3,050,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 225,000	\$ -	\$ 225,000	\$ -	\$ 6,750	\$ -
745,000	-	45,000	700,000	41,100	-
220,000	-	28,000	192,000	8,297	-
505,000	-	120,000	385,000	20,980	-
61,272	-	19,931	41,341	1,338	-
662,000	-	55,000	607,000	13,710	-
1,185,000	-	-	1,185,000	34,673	-
1,485,000	-	-	1,485,000	54,577	-
<u>\$5,088,272</u>	<u>\$ -</u>	<u>\$ 492,931</u>	<u>\$4,595,341</u>	<u>\$ 181,425</u>	<u>\$ -</u>
<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 728</u>	<u>\$ -</u>
<u>\$ 988,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 868,000</u>	<u>\$ 20,537</u>	<u>\$ -</u>
<u>\$ 367,000</u>	<u>\$ -</u>	<u>\$ 266,000</u>	<u>\$ 101,000</u>	<u>\$ 3,775</u>	<u>\$ -</u>
<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 53,109</u>	<u>\$ 65,929</u>	<u>\$ -</u>	<u>\$ 119,038</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$6,561,381</u>	<u>\$ 65,929</u>	<u>\$ 918,931</u>	<u>\$5,708,379</u>	<u>\$ 206,465</u>	<u>\$ -</u>
<u>\$ 668,235</u>	<u>\$ -</u>	<u>\$ 202,272</u>	<u>\$ 465,963</u>	<u>\$ 37,480</u>	<u>\$ -</u>
<u>\$7,229,616</u>	<u>\$ 65,929</u>	<u>\$1,121,203</u>	<u>\$6,174,342</u>	<u>\$ 243,945</u>	<u>\$ -</u>

CITY OF CLARION, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2015

G E N E R A L O B L I G A T I O N

Capital Loan Notes

Year Ending June 30,	Issued August 28, 2008		Issued June 1, 2010		Issued July 1, 2009	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2016	4.10%	\$125,000	2.90%	\$29,000	5.00%	\$ 45,000
2017	4.20	125,000	4.00	30,000	5.00	45,000
2018	4.30	135,000	4.00	31,000	5.00	45,000
2019		-	4.00	33,000	5.30	50,000
2020		-	4.00	34,000	5.30	50,000
2021		-	4.00	35,000	5.30	50,000
2022		-		-	5.75	55,000
2023		-		-	5.75	55,000
2024		-		-	5.75	55,000
2025		-		-	6.00	60,000
2026		-		-	6.00	60,000
2027		-		-	6.00	65,000
2028		-		-	6.00	65,000
2029		-		-		-
2030		-		-		-
2031		-		-		-
2032		-		-		-
Total		<u>\$385,000</u>		<u>\$ 192,000</u>		<u>\$ 700,000</u>

REVENUE BONDS

Water

Year Ending June 30	Issued February 6, 2013	
	Interest	
	Rates	Amount
2016	1.25%	\$ -
2017	1.25	101,000
Total		<u>\$101,000</u>

(continued)

B O N D S A N D N O T E S

G.O. Bonds	
Issued July 17, 2012	Issued April 1, 2013
Interest Rates	Interest Rates
Amount	Amount
2.45%	\$ 56,000
2.45	1.50
-	1.50
-	1.50
-	2.50
-	2.50
-	2.50
-	2.50
-	2.50
-	2.50
-	-
-	-
-	-
-	-
-	-
-	-
\$ 41,341	\$607,000

	Urban Renewal Revenue Annual Appropriation Refunding Bonds			Rural Economic Development Loan Agreement	
Year Ending June 30	Issued March 14, 2013			Issued November 21, 2005	
	Interest Rates	Amount		Interest Rates	Amount
2016	1.35%	\$ 118,000		-%	\$ 25,000
2017	1.35	124,000			-
2018	2.50	127,000			-
2019	2.50	130,000			-
2020	2.50	137,000			-
2021	2.50	74,000			-
2022	2.50	77,000			-
2023	2.50	81,000			-
Total		\$ 868,000			\$ 25,000

CITY OF CLARION, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2015

G E N E R A L O B L I G A T I O N B O N D A N D N O T E S					
ANNUAL APPROPRIATION BONDS					
Year Ending June 30,	Issued June 26, 2014		Issued June 26, 2014		Total
	Interest Rates	Amount	Interest Rates	Amount	
2016	-%	\$ -	-%	\$ -	\$ 275,429
2017	1.75	125,000	-	-	402,912
2018	2.25	125,000	-	-	394,000
2019	2.60	130,000	-	-	271,000
2020	2.95	135,000	-	-	278,000
2021	3.35	135,000	-	-	281,000
2022	3.55	140,000	-	-	257,000
2023	3.90	145,000	-	-	264,000
2024	3.90	150,000	-	-	270,000
2025	3.90	100,000	3.25	100,000	327,000
2026		-	4.00	175,000	235,000
2027		-	4.00	185,000	250,000
2028		-	4.00	190,000	255,000
2029		-	4.00	195,000	195,000
2030		-	4.00	205,000	205,000
2031		-	4.00	215,000	215,000
2032		-	4.00	220,000	220,000
Total		<u>\$1,185,000</u>		<u>\$1,485,000</u>	<u>\$ 4,595,341</u>

See Accompanying Independent Auditor's Report.

CITY OF CLARION, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$1,320,765	\$1,264,613	\$1,231,513	\$1,091,808
Tax increment financing	533,360	565,570	548,881	746,232
Other city tax	273,681	265,145	270,035	285,334
Licenses and permits	17,678	4,972	6,356	10,137
Use of money and property	93,242	138,006	116,946	46,426
Intergovernmental	538,796	685,895	354,932	752,074
Charges for service	296,765	219,900	346,682	464,342
Special assessments	15,891	18,747	26,024	30,624
Miscellaneous	184,206	107,748	141,000	209,135
Total	<u>\$3,274,384</u>	<u>\$3,270,596</u>	<u>\$3,042,369</u>	<u>\$3,636,112</u>
Disbursements:				
Operating:				
Public safety	\$ 813,259	\$ 801,101	\$ 889,130	\$ 992,386
Public works	444,418	471,554	457,082	508,266
Health and social services	5,500	5,500	6,269	7,800
Culture and recreation	290,904	331,491	313,813	397,103
Community and economic development	1,669,281	661,636	164,327	202,499
General government	228,475	201,945	207,396	316,751
Debt Service	858,420	763,495	1,858,014	736,085
Capital projects	235,985	802,375	347,357	474,787
Total	<u>\$4,546,242</u>	<u>\$4,039,097</u>	<u>\$4,243,388</u>	<u>\$3,635,677</u>

See Accompanying Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,038,298	\$1,010,658	\$ 959,947	\$ 910,621	\$ 899,589	\$ 922,979
489,154	542,614	456,344	388,179	362,842	371,856
209,764	223,491	224,715	255,882	273,021	191,882
6,321	6,477	5,955	7,263	3,618	6,285
47,608	55,711	87,005	89,445	79,990	76,866
491,158	841,055	462,746	311,185	539,300	525,710
426,436	530,686	488,657	488,216	357,334	530,990
34,104	44,402	85,978	182,667	113,334	142,873
266,522	304,276	413,236	236,944	285,292	353,879
<u>\$3,009,365</u>	<u>\$3,559,370</u>	<u>\$3,184,583</u>	<u>\$2,870,402</u>	<u>\$2,914,320</u>	<u>\$3,123,320</u>
\$ 961,084	\$ 885,732	\$1,056,896	\$ 732,866	\$ 678,174	\$ 671,442
394,903	765,537	733,152	531,856	418,022	686,333
7,500	7,350	7,022	6,750	5,600	5,600
409,326	366,925	375,492	336,437	330,504	301,154
228,793	261,555	110,772	112,474	523,301	185,926
165,646	342,671	321,126	285,943	203,553	159,698
707,687	2,105,164	2,131,873	651,190	613,441	944,070
354,934	1,581,002	1,295,715	748,517	365,493	1,662,436
<u>\$3,229,873</u>	<u>\$6,315,936</u>	<u>\$6,032,048</u>	<u>\$3,406,033</u>	<u>\$3,138,088</u>	<u>\$4,616,659</u>



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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated December 15, 2015. My report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles because the financial statements did not include the financial transactions of the Iowa Specialty Hospital - Clarion.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Clarion's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarion's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Clarion's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Clarion's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings as items (B), (C) and (D) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clarion's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Clarion's Responses to the Findings

The City of Clarion's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Clarion's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clarion during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
December 15, 2015

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) Investment Control - A detailed record of investment transactions is maintained, however, the Treasurer's Report fund balances do not reconcile to the Clerk's fund balances.

Recommendation - The investments and fund balances should be reconciled to the Clerk's fund balances. This procedure will provide more accurate information on the balance available for each fund.

Response - We will include accurate information in the Clerk's report.

Conclusion - Response accepted.

- (C) Bank Reconciliations - Reconciliations of book balances to the bank accounts by fund were not prepared during the audit period.

Recommendation - To improve financial accountability and control, a monthly reconciliation by fund of the book and bank balances should be prepared by the City. Any differences should be investigated and resolved in a timely manner.

Response - We will begin performing monthly reconciliations.

Conclusion - Response accepted.

- (D) Credit Cards - Documentation was not always available in support of credit card charges.

Recommendation - All credit card charges should be supported by original receipts or other supporting documents.

Response - We will include all receipts with the credit card statement in the future.

Conclusion - Response accepted.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2015

Findings Related to the Financial Statements: - continued

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the health and social services and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- (2) Questionable Disbursements - Certain disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hearts & Flowers	Funeral service gift	\$ 87

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting: - continued

- (4) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Lisa Hanson, Spouse owns Hanson and Sons Tire Service	Repairs	\$ 4,811
Linda Lloyd, Spouse owns John's Cleaning Service	Cleaning	7,020

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Lisa Hanson and Linda Lloyd may represent a conflict of interest since total transactions with each individual were more than \$2,500 during the fiscal year.

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- (6) City Council Minutes - No transactions were found that I believe should have been approved in the City Council minutes but were not.

The City did not publish a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

- (7) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- (8) Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.

- (9) Financial Condition - At June 30, 2015, the Capital Projects, CDBG Housing Project Fund had a deficit balance of \$61, the Capital Projects, Airport Fund had a deficit balance of \$156,742, the Enterprise, Waste Water Project Fund had a deficit balance of \$192,964, the Enterprise, Water Debt Service Fund had a deficit balance of \$2,954 and the Enterprise, CDBG Sanitary Sewer Fund had a deficit balance of \$24,540.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - The deficits will be eliminated.

Conclusion - Response accepted.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting: - continued

- (10) Debt Service Payments - The City made payments from the Debt Service Fund for expenditures other than interest and principal payments. Chapter 384.4 of the Code of Iowa establishes allowable expenditures from the Debt Service Fund.
- Recommendation - The City should only make interest and principal payments from the Debt Service Fund as required by the Code of Iowa.
- Response - We will do this.
- Conclusion - Response accepted
- (11) Water Revenue Bonds - The City established the Water Bond Sinking Account as required by the bond resolution, however they did not transfer an adequate amount for debt payments.
- Recommendation - The City should make the necessary transfer as required by the resolution.
- Conclusion - Response accepted.
- (12) Surety Bond Coverage - The City has a blanket insurance policy, however, the endorsement schedule is not updated with current City employees.
- Recommendation - The City should update the insurance policy with current City employees or positions.
- Response - We will do this.
- Conclusion - Response accepted.